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# Second country cooperation framework for Armenia (2000-2004)

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## Introduction

1. The first country cooperation framework (CCF) for Armenia covered the period 1997-1999. The second CCF sets forth the strategy and areas of cooperation with UNDP in 2000-2004 and is harmonized with the cycles of other key United Nations funds and programmes in the country. It is based on the results of the 1999 UNDP country review, the findings of the United Nations common country assessment (CCA), and extended consultations and discussions between the Government and UNDP.

## I. Development situation from a sustainable human development perspective

2. The profound political and economic upheavals in Armenia in the early post-independence period and the virtually unattended consequences of the 1988 earthquake plunged the country into a complex emergency. Between 1988 and 1992, as a result of interethnic clashes, about 400,000 ethnic Armenians living in Azerbaijan were forced out, finding refuge in Armenia. At present, 311,000 refugees are registered in Armenia, of which 40,000 (13.6 thousand households) do not have proper accommodations. In addition, the Nagorno-Karabakh conflict has created 72,000 internally displaced persons (IDPs) who fled their homes in the territories bordering with Azerbaijan. The conflict has been a considerable burden for the country, hindering its economic development and at the same time serving as an unfavourable factor for many donors to have, or increase, development cooperation with Armenia. A ceasefire has been in effect since May 1994, but talks under the auspices of the Organization for Security and Cooperation in Europe Minsk Group to negotiate a settlement to this 12-year-old conflict have failed so far to lead to a peace agreement. In 1999, however, a certain dynamism was introduced into the process as a result of intensified dialogue between the Presidents of Armenia and Azerbaijan, and with the recent revival of the negotiation process within the framework of the Minsk Group. A peace agreement may therefore be signed soon.

3. Since 1998, positive changes have occurred in the country's overall development situation. On different occasions, the Government has emphasized that the state of emergency is mainly over and that the United Nations organizations need to reorient their programming to development-related activities. UNDP, as manager of the United Nations resident coordinator system in Armenia, is expected to continue playing an active role in the shift from relief to longer-term development assistance.

4. Government efforts to achieve macroeconomic stability and the broad range of structural reforms have created the basis for annual real gross domestic product (GDP) growth (3.3 per cent in 1999). However, the overall level of economic performance compared with the pre-independence period, is still negative. The private sector remains embryonic and too weak to fuel economic growth and new policy formulation is required in many areas. There is the need to boost the economy with foreign investment, backed with an adequate legal framework, reforms of the judiciary system, modernization of the civil service, and a decline in corruption.

5. The country's human development index ranking fell steadily from 47 in 1991 to 103 in 1995 and then rose slowly to 87 in 1997, which can be explained by a certain level of economic growth and an increase in the indices of adjusted per capita income. Armenia's ranking among countries with medium human development is mainly due to its high literacy rate.

6. Transition processes, the unresolved problems of the 1988 earthquake, and the repercussions of the Nagorno-Karabakh conflict, including the economic embargo, heavily deteriorated the country's social tissue. The reforms were accompanied by plunging standards of living, mass unemployment, impoverishment of the population, and social polarization. Economic growth did not produce positive changes in the living standards of the population. The overall social situation of the country remains deplorable: the polarization of society is deepening and some groups in transitional poverty are moving towards structural poverty. The Gini coefficient increased from 0.602 in 1996 to 0.690 in 1998/1999. The registered unemployment rate in 1999 was 11.6 per cent, putting Armenia in the worst position among countries of the former Soviet Union (FSU). Statistical surveys have shown that employment instability has become the norm for one third of the working population, while another 21 per cent do not secure minimum living standards and 18 per cent have fallen into the "discouraged workers" category. The gross average monthly salary of US$ 36 in 1999 was at

least two times lower than the minimum consumer basket and accounts for only one fourth of the total income of families. The social indicators are discouraging: 31 per cent of households are not able to cope with the costs of education; 70 per cent of sick persons do not have access to health-care services; while 90 per cent of single elderly pensioners depend entirely upon humanitarian assistance.

7. The hardships of the post-independence years and the consequences of transition to a market economy significantly affected the gender structure of Armenian society and have had a negative impact on the status of women, their role and their standing in society. The gender balance in administrative structures is disrupted and gender polarization in all branches of power is significant. Women constitute about 3 per cent of Parliament, while there are no women either at ministerial or governor positions. The participation of women in the banking and financial systems mainly takes place in middle- and lower-management levels and the number of women entrepreneurs in medium- and large-sized businesses is extremely low. Guarantees provided to working women by the State are widely disregarded as a result of misinterpretation of market relations, negligence of labour regulations, and inefficient mechanisms of legal control. Gender is not taken into consideration in the socio-economic development-planning process. In the last decade, women's health significantly deteriorated. Accessibility of health services declined. Abortion is still the prevailing method of family planning; the maternal mortality rate was 35.6 per 100,000 live births in 1999. The demographic situation is characterized by steadily falling fertility and population-growth rates. These trends, combined with accelerating emigration of economically active people of reproductive age and with population aging, may have serious consequences for mid- and long-term economic and social development. Meanwhile, the share of economically active age groups with a high level of professional education will steadily be increasing until 2010. This "demographic bonus" could boost economic development if buttressed by the appropriate enabling environment.

8. Before and since independence, there has been a lack of awareness, experience and developed mechanisms for the incorporation of environmental concerns into overall economic development. Furthermore, Armenia's extensive socio-economic and political changes, new market-economy mechanisms and the lack of appropriate legal framework had an overall unfavourable impact on the environment. The long-term inefficient exploitation of natural resources, extensive air, water and land pollution, the release of contaminants into the environment, inexperienced intrusions in the countryside, accumulation of waste, and the structural distortion of the Armenian economy, resulting from outdated technology and inadequate infrastructure, have extremely deteriorated the environment. The immediate- and long-term consequences include the adverse effects on public health and life expectancy, as well as the decline of the genetic reserve of economically important plant and animal species and ecosystems.

9. Armenia has made progress in the area of governance, implementing the prescriptions of the 1995 Constitution. It has moved towards establishing and improving democratic mechanisms involving the State, civil society, and the private sector. The judicial reforms of 1998 were successful in restructuring administrative governance, which started with the structural reshuffling of executive and legislative powers and the introduction of institutional decentralization of administration. However, the public administration system is inefficient and laden with corruption; the judiciary needs serious training; and civil-service reform and the real empowerment of civil society and the private sector are still pending. The freedoms and human rights guaranteed by the Constitution are only slowly becoming reality. Armenia is in the stage of developing its information and communication technologies (ICT) policy, the optimal use of which would help the Government address many governance issues from a considerably more effective perspective.

## II. Results and lessons of past cooperation

10. The first CCF outlined the main focus of UNDP assistance: (a) governance and development management at national, regional and local levels; (b) sustainable livelihoods in selected geographical areas, including the strengthening of social sectors; and (c) environmental issues, in the context of sustainable development and poverty alleviation. Monitoring and evaluation of the programme based on the first CCF, particularly the country review in October 1999, have shown that the

reputation and performance of UNDP as a development partner in Armenia have undergone considerable improvement. UNDP assistance has put into motion indigenous capacities, in particular at local community and regional levels, demonstrating a high-absorptive capacity for technical assistance in the country.

### Specific results of UNDP cooperation during the first CCF

11. In the field of poverty eradication and sustainable livelihoods, UNDP has helped to strengthen the surveying and analytical skills of the Ministry of Statistics and to promote a broad-based discussion on poverty-related issues. UNDP has supported, together with the World Bank, various surveys of the Ministry of Statistics. New methods of sampling and data processing were introduced and a poverty-oriented database was established at the Ministry. A set of social indicators was identified and analysed, based on 1996 data.

12. UNDP used its limited resources on well-targeted interventions to support the access of the poor, including all groups of the vulnerable population, to basic services both at the local level and at the central level through capacity-building and awareness-raising about pressing poverty-related issues. In cooperation with other partners, UNDP rehabilitated schools, financed the publication of textbooks, enhanced capacities of school management, and facilitated the enrolment of schoolchildren in information-technology-mediated training. UNDP also helped to initiate several successful pilot projects for poverty eradication and sustainable livelihoods, including outreach programmes to small and impoverished farmers and skill training to resolve credit funding issues for micro-entrepreneurs.

13. UNDP promoted an enabling environment for sustainable human development (SHD) at both the upstream and downstream policy levels. The national human development reports were instrumental in promoting a national policy dialogue and analysis, and are considered by a wide range of users as valuable reference books on Armenia.

14. With regard to promoting good governance, UNDP played a leading role in coordinating assistance for the conduct of elections in Armenia, in partnership with the United States Agency for International Development (USAID), the International Foundation for Electoral Systems, Office for Democratic Institutions and Human Rights (ODIHR) of the Organization for Security and Cooperation in Europe (OSCE), the European Union and others. UNDP worked with the local non-governmental organization (NGO) community and with international organizations to promote and protect human rights in Armenia. UNDP was also active in institution and capacity-building. Through UNDP assistance, the Supreme Audit Institution of the National Assembly was established and strengthened, as a primary mechanism to oversee the activities of the executive power. At the local level, UNDP assistance encouraged local communities to take greater responsibility for the management of their affairs and development.

15. In the particular circumstances of Armenia's isolation, strong emphasis was placed on connecting the country to the global arena via modern information technology. UNDP supported the establishment of a centre with free public Internet access, coupled with the first training facility in the region for Internet users. UNDP also assisted in strengthening capacities for the export of goods and services, using the technical expertise of the United Nations Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD), the International Civil Aviation Organization, (ICAO) and the International Trade Centre.

16. In the area of environment, a significant number of ongoing projects, mostly financed by the Global Environment Facility (GEF), have focused on the fulfilment of international commitments under various environmental conventions, advocacy activities and capacity-building of the Ministry of Environment.

17. In response to the de facto deterioration in the status of women, generally due to the expansion of poverty, UNDP has paid particular attention to the need for advocacy on gender issues, and to the mainstreaming of gender considerations in its projects.

18. The main lessons learned from UNDP cooperation under the first CCF are that:

(a) Clustering individual projects by development objectives and narrowing the programme focus to cover fewer fields will enhance the effectiveness of UNDP cooperation;

(b) Incorporating sustainability arrangements and exit strategies within projects at the design stage is crucial for attaining the desired impact;

(c) More effective use of the national execution modality, coupled with agency execution for outside expertise where appropriate, will enhance the overall impact of UNDP cooperation;

(d) The need for United Nations executing organizations to adopt more flexible operational procedures, in order to ensure that the project delivery is not impacted negatively, is essential for the timely attainment of envisaged objectives;

(e) The active participation of NGOs in the implementation of projects is beneficial because it complements limited government capacities.

## III. Objectives, programme areas and expected results

19. UNDP will gear its interventions in the second CCF to supporting national-development goals and will assist the country in its efforts to overcome the adverse effects of transition and set the path to comprehensive development. In this regard, and taking into account the UNDP mandate and the lessons learned from past cooperation, UNDP will support the Government in its efforts to fight rising poverty and unemployment levels; will support the ongoing government reform processes to enhance its efficiency, increase transparency and decrease corruption; and will support the Government in promoting gender equity in the public service and in implementing the national environmental action plan.

20. The Government will strive to foster complementarity between UNDP cooperation and the interventions of other United Nations specialized organizations, donors, international financial institutions, and NGOs. The Government is particularly encouraged by the collective effort of the United Nations system in producing the common country assessment in early 2000, which provides a solid basis for concerted programming by the organizations of the United Nations system and for strengthening the partnership with the Government.

21. UNDP is expected to continue to support the Government in its efforts to respect the obligations and commitments it made at global conferences and at environmental, human rights and other international conventions which Armenia has joined and ratified.

22. Taking into account the foregoing and the recommendation of the country review to narrow the programme focus to cover fewer fields, the Government proposes two major programme areas for the second CCF: (a) good governance; and (b) poverty reduction and post-conflict rehabilitation. These two areas are comprehensive and critical to the objectives of the national development programme and are consistent with the UNDP mandate and comparative advantage. They are also interrelated and mutually reinforcing and will contribute to the positive pursuit and accomplishment of the transition processes in Armenia. Good governance, including efficient public administration and openness to and participation in globalization processes, is essential for creating the necessary conditions for sustainable economic growth, social development and poverty reduction, with a particular emphasis on the problems of vulnerable groups. A significant reduction in the current high level of poverty, on the other hand, is crucial for ensuring accelerated economic development that will eventually regenerate the thinning social tissue of Armenia and support social cohesion.

23. Advocacy and policy advice, with the national human development report as a main tool, will continue to be at the centre of UNDP activities in Armenia. UNDP advocacy work will promote a broad-based dialogue on critical issues and challenges in the country's development processes.

24. Gender being a cross-cutting issue, UNDP will shift to gender mainstreaming in both programme areas, assisting the Government in combating all forms of violence against women and girls; eliminating discrimination against women in the labour market; increasing employment opportunities for women; promoting gender equality in social protection; empowering women through access to and control over resources; creating an enabling environment for the increased participation of women in power and decision-making positions; promoting women's access to high-level decision-making positions in economic and social spheres; strengthening institutional mechanisms for gender equality; continuing the gender analysis of the country's legislation; and providing policy advice. The expected results of gender mainstreaming will be increased gender balance in

public decision-making and a gender-specific approach in poverty reduction policies.

25. In the area of environmental protection and management, UNDP will use the national environmental action plan to continue its efforts in creating legal and regulatory structures. These will stimulate the observance of laws, norms, and rules on environmental protection; assist in the implementation of the principles of environmental conventions; help the Government to integrate economic, ecological, and social policies for sustainable development; work with GEF on the implementation of global mandates, particularly by participating in the implementation of the Lake Sevan Action Programme and in the national biodiversity strategy and action plan (BSAP); support Armenia's initiatives in developing the "third way" position of countries with transition economies, within the United Nations Framework Convention on Climate Change (UNFCCC).

## A. Good governance

26. The good governance programme area has two subprogrammes: (a) development of information and communication technologies as a medium for better governance; and (b) capacity-building of key governance institutions and consolidation of democracy.

27. The development objective of the first subprogramme is to support the improvement of governance, the efficiency and transparency of public administration and the consolidation of democracy by supporting increased participation in globalization processes through knowledge-based cyber-connectivity and free information exchange between state institutions, civil-society organizations and individuals.

28. UNDP is not a new player in ICT and has already supported the process of sustainable reforms in Armenia by assisting in the establishment of a national information infrastructure to ensure adequate access to information resources by the Government, the academic, educational and business communities, NGOs and civil groups. Capitalizing on previous UNDP interventions in this area, UNDP will support the Government in pursuing two goals:

(a) Developing a strategy for the best use of ICT as a sustainable human-development tool and to facilitate the political and economic reform process. The strategy will be agreed upon in cooperation with the World Bank, European Union, OSCE, and the Open Society Institute;

(b) Providing improved access to information for media, civil society, the public at large, the private sector and donors.

29. The subprogramme is expected to contribute to the following results: (a) more efficient public administration and civil service, particularly emanating from improved connectivity between the central and decentralized administrations; (b) enhanced transparency and participation of civil society in community life, thanks to easy electronic access to public documents; (c) fostered economic growth as a result of electronic access to economic information and investment opportunities through the creation, in partnership with the World Bank, of the Internet Development Gateway for Armenia; and (d) improved coordination of official development assistance to Armenia, thanks to the creation of an open database on international cooperation.

30. The second subprogramme, capacity-building for good governance, will have as its main objectives the strengthening of state institutions and the empowerment of civil society and will be comprised of three main interventions:

(a) Consolidation of electoral processes;

(b) Addressing the issue of corruption through expert advice;

(c) Human rights.

31. The expected results of this subprogramme will be: (a) improved capacity of the central and regional electoral commissions and increased participation in elections; (b) the adoption of an anti-corruption law; (c) increased awareness of human-rights issues by incorporating them into school and university curricula.

32. The impact of UNDP cooperation in the programming area of good governance will be measured by sound and improved public policies; enhanced coordination and utilization of external aid and public funds; free, fair and transparent electoral processes; and a decline in the overall number of human-rights violations. A general goal of the UNDP governance programme and advocacy is to orient

public policies towards the poor and vulnerable groups of society.

### B. Poverty reduction and post-conflict rehabilitation

33. The development objective of this programme area is to: (a) provide support to the Government and civil society in the elaboration and implementation of a national strategy for poverty reduction and social development; and (b) assist in capacity-building for post-conflict rehabilitation.

34. UNDP is closely following the OSCE Minsk Group negotiation process on the Nagorno-Karabakh conflict. Regular discussions are being held with the World Bank, the Minsk Group co-chair, country embassies and United Nations organizations. In case of a peace agreement, UNDP, in consultations with the Government, will take pertinent ad hoc decisions of action from the development point of view.

35. At the upstream level, UNDP will provide assistance to the Government in establishing and operating a special monitoring system, as an important component of the Poverty Reduction Strategy Papers, initiated by the World Bank and the International Monetary Fund, aimed at furnishing updated information on poverty and social issues to all stakeholders. UNDP activities will be directed towards building national capacities in policy-oriented analysis and in pro-poor expertise for existing and draft laws. UNDP will support the Government in the preparation and publication of a quarterly analytical-informational bulletin on social trends and an annual report of the socio-economic developments in Armenia. The poverty focus in UNDP-supported reports will be strengthened and the human poverty index will be used as a specific target, with special emphasis on gender dimensions.

36. At the downstream level, UNDP will assist communities with pro-poor targeted programming. A special methodology of assessment will be developed and implemented, on the basis of poverty rapid assessment, to identify and map out the poorest families and vulnerable groups in communities, such as refugees and internally displaced persons.

37. The expected results in the first subprogramme area will be: (a) a national strategy on poverty reduction based on improved socio-economic policies and pro-poor social programmes adopted by the Government; (b) strengthened national capacity to monitor, alert, and analyse social changes; and (c) improved equitable access to social services.

38. The subprogramme on post-conflict rehabilitation will concentrate on building capacities for neutralizing and clearing land mines in the region most suffered from the Nagorno-Karabakh conflict. The Government expects UNDP to elaborate and implement a targeted programme in land-mine neutralization: mapping, training of specialists, and raising public awareness of the problem.

39. Measuring the impact of the subprogramme on poverty reduction and post-conflict rehabilitation will be based, on the one hand, on feasible rates of reducing the level of poverty and increased accessibility of social services and, on the other hand, greater safety from land mines and the use of cleaned territories for agricultural purposes.

## IV. Management arrangements

### A. Programme management

40. National execution will continue to be the principal modality for the UNDP programme in Armenia. However, as recommended by the country review, the Government will strive to remove the impediments to full and more effective use of the national execution modality. Agency execution will be used when special expertise is needed. United Nations specialized organizations will also continue to cooperate in the provision of specialized and technical-support services in national execution programmes. NGOs, local institutions and the private sector will be encouraged to deepen their participation in the UNDP programme, including to serve as executing agencies where appropriate. In addition, Bretton Woods institutions will continue to be immediate partners of UNDP.

### B. Follow-up and evaluation

41. The programme will be subject to standard UNDP monitoring, evaluation, and auditing procedures, including progress and technical reports, meetings and visits. Projects will be reviewed to ensure that the goals and objectives are clear and results-oriented. Benchmarks and success criteria will be identified for

each national programme and project to facilitate the monitoring and evaluation of their impact. An evaluation plan will be prepared and implemented. Findings will serve as the basis for necessary programme adjustments as well as inputs to the country review, which will be carried out during the third year of the CCF period in order to assess the results achieved and make recommendations for eventual revisions or the formulation of a new CCF.

## C. Resource mobilization

42. UNDP core resources allocated for the CCF will continue to play a catalytic role in resource mobilization. In this connection, UNDP funds will be used as seed capital to facilitate the implementation of programmes that have the potential to attract multi-donor support. A concerted effort will be made to continue the use of various funds such as GEF, the Joint United Nations Programme on HIV/AIDS and the United Nations International Drug Control Programme, as well as bilateral trust funds to support the programme implementation of UNDP. Government cost-sharing may be provided in certain cases through project cost-sharing and the use of grants and loans, particularly from the World Bank and European Union. UNDP will also complement the resource-mobilization efforts by continuing to organize joint donor meetings and sectoral round-table meetings with the Bretton Woods institutions.

# Annex

## Resource mobilization target table for Armenia (2000-2004)

| Source | Amount (In thousands of United States dollars) | Comments |
|---|---|---|
| **UNDP regular resources** | | |
| Estimated carry-over into 2000 | (1 002) | Includes AOS. |
| TRAC 1.1.1 | 3 693 | Assigned immediately to country. |
| TRAC 1.1.2 | 0 to 66.7 per cent of TRAC 1.1.1 | This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources. |
| SPPD/STS | 322 | |
| **Subtotal** | **3 013*** | |
| **UNDP other resources** | | |
| Government cost-sharing | 200 | |
| Sustainable development funds | 1 000 | GEF |
| Third party cost-sharing | 500 | |
| Funds, trust funds and other | | |
| **Subtotal** | **1 700** | |
| **Grand total** | **4 713*** | |

* Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; TRAC = target for resource assignment from the core; SPPD = support for policy and programme development; STS = support for technical services.